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GUIDES AND OPPORTUNITIES FOR COOPERATIVE LONG-RANGE PLANNING

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The objective of this workshop is to highlight opportunities, methods and techniques for Extension specialists in the field of cooperative management training. The long-range planning segment of this field is relatively new from the view point of Extension educational experience. This is especially true of their experience with the subject of methods and techniques designed to assist cooperatives with long-range planning. We shall be discussing these opportunities and suggested guides for methods and techniques from two points of view.

1. The cooperative's job -- Why, who, what, and how is the job accomplished?
2. The Extension specialist's program to help cooperatives make good long-range plans.

THE COOPERATIVES JOB -- WHAT IS IT?

Long-range planning is looking ahead in order to anticipate situations and difficulties, and if possible and practical, develop a proposed course of action to deal with them at a time and in a manner that is to the best advantage for the cooperative's objective.

By long-range we are usually referring to a period from the current situation to as far ahead as we have research pointing the way, or as we have a good basis for judgement and reasoning about potential situations, problems, and obstacles.

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"Why" Make Long-Range Plans?

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Some of the answers to this question are elementary and obvious to all of you. But, since the answers are numerous it may be helpful to list those generally considered to be the most important. Advantages to Cooperative management are as follows:

1. It will help those responsible for decision making to form a better mental concept of cooperative objective -- visualize the entire operation clearly.
2. It will assist in developing agreement on major issues and policies and programs within the overall operation and objective.
3. It is a tool for fixing responsibilities and for making instructions and actions more specific.
4. It provides a sounder basis for setting deadlines to accomplish important work or plans of the cooperative.
5. It will provide better orderliness for operations.
6. It will help achieve a more desirable balance and relationship among operating personnel.
7. It will save time, effort, and money if it is done well.
8. It will help management achieve coordination among the various important operating functions.
9. It will minimize speculation and pure guesswork in management decisions.
10. And last but probably among the most important, it will be a means by which the objective may be carefully thought out, specifically defined and made known to employees, members, and patrons.

The above specific advantages have over time caused those who have used long-range planning thoughtfully, consistently, and on a well organized

basis, to make the following more general statements regarding why it is important to the most successful operations.

1. It is the best of operations health insurance.
2. It is the anti-thesis of speculation, hesitation, or operating by ear.
3. It represents the "Look before you leap" philosophy.
4. It is the first element in the overall management function or cycle -- the planning, operation, review cycle.
5. It is organized foresight to avoid crisis management.
6. It is a tool for fire prevention rather than fire fighting in cooperative management.

"Who" Makes Long-Range Plans?

Because long-range planning involves management organization and both general and operating policy decisions, it is best accomplished as a team job. Overall operating objectives and policies of cooperatives are primarily the responsibility of the board of directors. Operating decisions and actions under these specific objectives and policies are the responsibility of the general manager and departmental operating management personnel. So, because of the inter-relationship between organizational policy and operations, long-range planning should involve the general manager, his operating department heads and at least the executive committee of the board of directors.

Leadership on this team usually will and should be centered in the manager. In most cases his more intimate working knowledge of how organization and policy influence operations, he will usually be best equipped to be the team captain or the committee chairman.

"What" things are involved in long-range planning?

The things involved are the situation, problems, and obstacles -- both existing and potential as they relate to a specific cooperative. These things apply to articles of incorporation, by laws, and management delegation of operating responsibilities by functions and departments; they apply to services performed and commodities handled; to plant and equipment problems; and to employee, member, and public relations.

"How" may good long-range planning be accomplished?

As you and I know, the exact procedure for doing the best job in one cooperative will not necessarily be the best for another. Therefore, the following discussion is intended as guides for developing more specific steps in procedures and methodology, and to give additional information on the tools to be used.

Step I. Determining the Objective or Goal

Deciding on the specific overall objective or goal of the cooperative is the first and most important step in developing a long-range plan. It should be the point toward which all additional planning is oriented. If this first step is not carefully and objectively accomplished further effort will be of little value. Therefore, it may be helpful to list some guides.

The first guide is to answer the following questions regarding the present and prospective situation:

1. What is the real value of the cooperative -- specifically who benefits from it and to what extent?
2. How much does its services cost relative to competing services-- are cooperative members getting services worth the money?

3. Who would suffer and to what extent if the cooperative were discontinued?

4. What will the answers to the first three questions be in six months, one year, and in several years?

Answers to these four questions will help with the decision of whether the general objective should be that of continued expanding and improved services; consolidation with a neighboring cooperative, or perhaps the least painful method of dissolving.

Assuming that the answer to these questions results in an objective to continue and improve operations, the following do's and don'ts may be helpful toward developing and writing the specific objective in final form.

The don't's are:

1. Don't confuse secondary objectives with the overall primary one--increased volume, higher savings, greater prestige, and more favorable publicity are all important secondary goals, but they are not the primary objective or goal.
2. Don't select a cooperative objective for which wholehearted and general acceptance, support and understanding are impractical.

The do's are:

1. State the objective as clear and specific as possible -- generalities are not effective.
2. Make the objective believable and understandable in the minds of all those in the cooperative who have any responsibility for carrying it out.
3. Select an objective for which progress is measurable.

One objective which may qualify under the above do's and don't's for many cooperatives is: This cooperative will have an adequate and

continually improved services to members, both in operations as a whole and in each of the major departments.

Step 2. Planning For Factors Important to Achieving the Objective

This step will involve careful study and specific planning. The factors involved here are things, and not people, and they should be considered from the viewpoint of the future. They are the following:

a. Organization -- This is the broad lines of authority and responsibility -- establishing who is to do what. Examples of questions for consideration here are:

1. Do articles of incorporation and by laws contribute as much as practical to the cooperative objective?
2. Is the provision for the number of board members okay?
3. Is adequate authority and flexibility provided for interest on different kinds of member capital?

b. Policies -- These are the general operating guides. They implement the organization structure and the objective as they provide guides for operating situations. Examples of many questions for consideration here are:

1. Shall credit be extended, and if so, for how long?
2. What kind of a retirement program will contribute most to the cooperative objective?
3. How shall stock and other equities held by estates be handled?
4. What will prices be in relation to local competition?

c. Systems, Procedures, and Methods -- These are the detailed operating guides. Here planning is for short-cuts, perfections, simplifications, and clarifications. Such things as various accounting and reporting procedures are examples of items for consideration here.

d. Standards -- These are the operational yardsticks. They should be planned for a level that appears to contribute most effectively to the overall objective. Examples which quickly comes to mind for consideration here are quality of various products and services.

e. Schedules -- These express plans and programs in terms of time and locations. Examples of schedules to review would be those associated with expansion of membership and volume, new facilities and equipment, new services, paying off indebtedness, etc.

f. Budgets -- They provide the monetary value aspects of plans and programs. They aid in getting plans and programs such as those just mentioned into measurable terms.

Many local cooperatives use a type of budgeting procedure in planning the distribution of net savings. They don't often call it budgeting, but it is. This is an area where good budgeting, recognized as such, offers much opportunity in long-range planning.

Step 3. Reviewing Achievements

The review aspects of planning are concerned with the past and present. The tools for collecting review information are: Accounting, production control data, inspection, personal performance records, and other management control data.

Step 4. Analyzing Performance

When information has been collected on what performance is and has been, the next step is to evaluate it. Management should determine why things happened as they did, whether or not they occurred according to plan, and how they can be improved in the future. The principle tools used in this appraisal work are: ratio and other statistical analysis, quality control analysis, financial audits, and management surveys and studies.

Step 5. Reviewing to perfect long-range plans

Even a good plan as of a given time loses its value over time and may become worthless unless periodic review and adjustment is made based on more current performance analysis and changed operating environment. This review or feedback is the channeling of experience gained, reviewed, and appraised for the perfection of long-range planning. Over time is as important to achievement of the cooperative objective and to management decisions as the original planning job.

STATUS OF LONG-RANGE PLANNING BY COOPERATIVE MANAGEMENT

All cooperatives have personnel who do long-range planning to some extent. A few of the several thousand cooperatives serving farmers in local communities do a good job -- well organized, systematic, and carefully thought out. Most of the regional cooperatives do a good job -- some do an excellent job. However, cooperative leadership will generally be the first to say, "The results from long-range planning so far, particularly among the several thousand local cooperatives, is very small relative to the value of potential results."

Need -- It's different

The need for local cooperative long-range planning is somewhat unique compared to other firms performing similar services.

The difference is due to the nature of supporting ~~memberships~~ between cooperatives. They make the overall advantages of long-range planning greater than advantages to be achieved for the specific cooperative for which the plan was made. I am referring to the relationship between local cooperatives and their regional wholesale or terminal cooperatives; between the local and their state councils; and between cooperatives and their district banks for cooperatives.

If a concentrated state-wide planning effort were accomplished in a years time, the work could be organized so results of local cooperative long-range planning could be summarized and made available to their regional cooperatives, their state council, and their district banks for cooperatives. These summaries in turn would provide a better basis on which the regional and state wide cooperatives could plan their operations for the local cooperatives.

These extra advantages in some respects, would be analogous to putting two dippers of ice cream on a big piece of real good apple pie.

But there is more! Such a planning effort would surely be a means of focusing attention of cooperative management on problem areas that need additional specific research and educational programs. For those who like apple pie a la mode as I do, this last additional value that would accrue over time, might be comparable to getting the second helping at a time when hungry enough to really justify both pieces.

THE EXTENSION SPECIALISTS PROGRAM -- OPPORTUNITIES, PROCEDURES

I hope the foregoing discussion has contributed to your information on the nature, scope, and values of cooperative long-range planning. It's not an easy job to do well. But it appears to be a job on which hard work and thinking will pay big returns. What are the opportunities and procedures by which Extension can assist cooperative management in helping itself with long-range planning?

Past and Present Assistance

To help keep our thinking at this point on the overall assistance needed by local cooperatives for this job, we should look briefly at assistance they have had and now have.

Most certainly many State Extension economists, marketing specialists and

county agents have made and are making valuable contributions. An early example in this area of assistance with which I am most familiar, started in Kansas about 1930 by the late Vance M. Rucker. At the time he was the Extension Marketing Specialist. Vance later became secretary of the Wichita Bank for Cooperatives. But, as an Extension Specialist, in cooperation with the late Roy Green of the Kansas State College Agricultural Economics Department, a business analysis service was developed and carried on for 50 to 100 Kansas Cooperatives. This service continued for Kansas Cooperatives in the form it was started until about 1942. It had many of the assistance features we are discussing for long-range planning.

Several other State Extension Services have given assistance of this type. Others have provided excellent assistance on specific operation or organizational problems such as: credit, modernization of by-laws and articles of Incorporation, accounting training, membership relations, Directors and managers training schools, etc. Considerable assistance has been given farmers to help them analyze the need for a new cooperative organization and to organize it. So, over the years many Extension Specialists have given very valuable assistance that contributes directly to important parts of the overall job of long-range planning. You men are doing the same thing and improving on past work.

Assistance given by Extension has often been a team effort with personnel of the Banks for cooperatives, the regional cooperatives, and the state councils, and the cooperative auditing services. Of course, in addition to the joint or team efforts of these organizations with Extension Personnel, they have each provided very important assistance on their own. Assistance that is in addition to their own primary operating function.

Additional Assistance Needed

We are still thinking here in terms of the situation and long-range planning need of several thousand local cooperatives. They have their by laws, articles of incorporation, records, and account of operations and financial position. They have these, but they will need assistance on methodology and procedure for using these things and other information to do a complete job of long-range planning.

Each succeeding month and year finds the operations of a local cooperative more and more influenced by economic and other conditions outside their specific community, county, state, and even outside our national boundaries. The tendency exists for local cooperative management to be preoccupied with the day to day operations and problems and take little time to consider these outside influences. Therefore, information in this area that is or may be a factor affecting local operations is where Extension assistance will also be helpful.

Extension -- You men here are best equipped to give assistance in the two subject matter areas just discussed -- procedure for doing the job, and information on research results and outlook.

How to Proceed

If Extension were asked to provide this assistance in a state or in several states, and if they undertook a state-wide program, a question of interest to this group would be; how to proceed in organizing to do the best job. I hope we may have discussion and suggestions from panel members and others on this procedure. To start that discussion, consider the following general suggestions:

1. A state committee composed of Extension assistant director in charge of programs, the Extension economists who will have direct

responsibility for programs, the manager of each regional cooperative operating in the state, the state council secretary, an officer of the states district bank for cooperatives and the head of the Agricultural Economics Department. This State committee would work out the overall outline for a state-wide long-range planning program for local cooperatives.

2. Using the outline, State economists would develop subject matter and suggested planning procedures and schedules for the county agent to use in working directly with each local cooperative long-range planning committee. In some counties or cases the state extension economist would work directly with the local cooperative planning committee or he might obtain help on this job from some of the state cooperative leadership.

3. Agricultural Economics Department personnel with the council of the state planning committee would summarize the planning accomplished by local cooperative planning committees for the use of regionals, cooperative banks, and state council personnel.

4. Once each cooperative had developed its formal long-range plan the committees would continue to function for the purpose of reviewing and perfecting the plan as it is needed because of changing operating environment, new research, and new technology, and new problems and obstacles.



